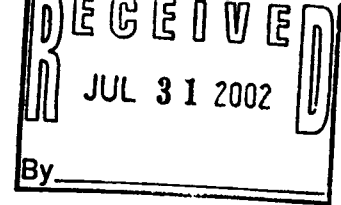




CALIFORNIA DAIRY WOMEN
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Phone 209 632-7225 ~ Fax 209 634-0885



July 29, 2002

Honorable William Lyons, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

**PETITION FOR AN EMERGENCY HEARING TO CONSIDER CHANGES IN THE
CALIFORNIA MILK STABILIZATION PLAN CLASSES 1, 2, 3, 4a and 4b PROVISIONS.**

Dear Mr. Ikari,

On June 19, 2002, the Board of Directors of California Dairy Women , authorized the filing of this petition to consider emergency changes in the Milk Stabilization Plan for Classes 1, 2, 3, 4a and 4b. This petition is filed on behalf of the membership of the California Dairy Women.

All projections indicate that the July overbase price will be \$9.63. Almost all dairy experts predict that this price will continue for at least (14) months.

Based on the serious financial impact that these sales trends have on all California producers, the Board of CDW respectfully request an emergency hearing to put in place that will make the dairy price support program effective as regards to producer milk prices. Specifically, the product values used in Class 1, 2, 3, 4a and 4b milk prices should not be less than the Commodity Credit Corporation cheese, butter and nonfat dry milk powder purchase price.

As this letter is being written, the Chicago Mercantile Exchange block cheese price for the month of July will average \$1.0792 (5.22 cents below the government purchase price of \$1.1314 per pound.) This will result in a Class 4b price of \$8.93, a full 87 cents below the intended support price of \$9.80 for milk testing 3.5 milkfat. Combined with the other milk prices for July, California dairy farm families are looking at an overbase price of \$9.62 per hundredweight.

The intent of Congress in putting in place the price support program was to support the farmer milk price by purchasing cheese, butter and nonfat powder. The product-based milk pricing system put in place on January 1, 2000, in the federal order system has, we believe, undermined

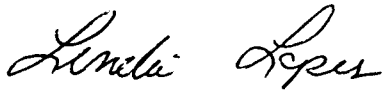
market signals to dairy product processors to sell product to the CCC. Processors sell cheese based on the CME block price plus a premium. The product-based pricing system with its make allowance combined with the way cheese is sold makes the CME cheese price level irrelevant. The cheese processor "gets" the make allowance and the premium regardless of the cheese price level. That is why in less than two years the CME block price has fallen way below the CCC purchase price resulting in Class 4b price way under the \$9.80 support price.

This is devastating to California dairy farm families because it eliminates the safety net Congress intended them to have. It also allows the commercial accumulation of very low price cheese, further prolonging the period of time producer milk prices are depressed.

Flooring the dairy commodity prices at the support program purchase price levels will not stimulate milk production since the CDFA statistics indicate the California cost of production is above the support price of \$9.80.

We request that the Department convene the hearing requested in this petition on an emergency basis so California dairy farm families will receive the relief this proposal will provide.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Linda Lopes".

Linda Lopes
President California Dairy Women

State of California
Department of Food and Agriculture
Dairy Marketing Branch

STABILIZATION AND MARKETING PLAN FOR
MARKET MILK, AS AMENDED, FOR THE
NORTHERN CALIFORNIA MARKETING AREA

Proposal of California Dairy Women

CDW

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

(1) For all milk fat, not less than the price per pound computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of ten cents (\$0.10), and the result multiplied by a yield factor of 1.2.

(2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus forty-six and four-tenths cents (\$0.464), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.

(3) For all fluid carrier, not less than the price per pound computed by the formula using the Commodity Reference Price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, plus forty-six and four-tenths cents (\$0.464), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8, and then \$0.0031 per pound subtracted from the result.

(4) The Commodity Reference Price per hundredweight shall be the higher of either:

(a) The sum of the following two formulas:

(i) The price per hundredweight computed by the formula using the Cheddar cheese price determined pursuant to Subparagraph (A)(6) of this Section, multiplied by a Cheddar cheese yield factor of nine and eight-tenths

hs (9.8).

(ii) The price per hundredweight computed by the formula using the butter price

determined pursuant to Subparagraph (A)(5) of this Section, less ten cents

(\$0.10), all multiplied by a whey butter yield factor of twenty-seven hundredths

(0.27).

(b) The sum of the following two formulas:

(i) The price per hundredweight computed by the formula using the butter price

determined pursuant to Subparagraph (A)(5) of this Section, multiplied by a

butter yield factor of 1.2, and the result multiplied by 3.5.

(ii) The price per hundredweight computed by the formula using the nonfat dry

milk price determined pursuant to Subparagraph (A)(7) of this Section,

multiplied by a nonfat dry milk yield factor of 0.99, and the result multiplied

by 8.7.

(5) The butter price used in calculations pursuant to Paragraph (A) shall be the simple

average of the daily closing Grade AA butter prices at the Chicago Mercantile

Exchange falling between the period beginning the 26th day of the second previous

month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange Grade AA butter prices are not

available to calculate the butter price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used

in its place shall be the butter price used in the previous month's calculation. In no case shall the price used be less than the

Commodity Credit Corporation Dairy Support Program purchase price in effect.

(6) The Cheddar cheese price used in calculations pursuant to Paragraph (A) shall be the

simple average of the daily closing 40 pound block Cheddar cheese prices at the

Chicago Mercantile Exchange falling between the period beginning the 26th day of

the second previous month and concluding the 10th day of the previous month. In the

event that Chicago Mercantile Exchange 40 pound block Cheddar prices are not

available to calculate the Cheddar cheese price fifteen days prior to the effective date

of the Class 1 pricing period concerned, then used in its place shall

all be the Cheddar

cheese price used in the previous month's calculation. In no case shall the price used be less than the Commodity Credit Corporation Dairy Support Program purchase price in effect.

(7) The nonfat dry milk price used in calculations pursuant to Paragraph (A) shall be the weighted average of the two most recent weekly price reports for nonfat dry milk

f.o.b. California manufacturing plants available on the 10th day of the previous

month. The weekly reports are used to calculate the weighted average price per

pound for all Grade A and extra grade nonfat dry milk for human consumption sold

f.o.b. California manufacturing plants for the seven day period ending on Friday as

reported by the California Department of Food and Agriculture. In

no case shall the price used be less than the Commodity Credit Corporation Dairy Support Program purchase price in effect.

(8) For any month in which the Secretary implements the collection of security charges

provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code,

the minimum Class 1 prices shall be increased by the following amounts:

(a) For milk fat, five and seven-tenths mills (\$0.0057) per pound.

(b) For milk solids-not-fat, two and three-tenths mills (\$0.0023) per pound.

(c) For fluid carrier, one-tenth mil (\$0.0001) per pound.

(B) The minimum bimonthly prices for components used for Class 2 shall be determined at the

beginning of each even month, using the following formulas and procedures:

(1) For all milk fat, not less than the Average Class 4a fat price plus three and seventenths

cents (\$0.037) per pound.

(2) For all milk solids-not-fat, not less than the Average Class 4a solids-not-fat price plus

six and forty-three hundredths cents (\$0.0643) per pound.

(3) For any month in which the Secretary implements the collection of security charges

provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code,

the minimum Class 2 prices shall be increased by the following amounts:

(a) For milk fat, seven and one-tenth mills (\$0.0071) per pound.

(b) For milk solids-not-fat, two and nine-tenths mills (\$0.0029) per pound.

(4) The time periods for the Average Class 4a fat price used in Subparagraph (B)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (B)(2) of this Section shall be those in Subparagraph (B)(5) of this Section.

(5) For February-March Class 2 and 3 pricing period, the average of preceding

December-January Class 4a component prices per pound.

For April-May Class 2 and 3 pricing period, the average of preceding February-

March Class 4a component prices per pound.

For June-July Class 2 and 3 pricing period, average of preceding April-May Class 4a

component prices per pound.

For August-September Class 2 and 3 pricing period, average of preceding June-July

Class 4a component prices per pound.

For October-November Class 2 and 3 pricing period, average of preceding August-

September Class 4a component prices per pound.

For December-January Class 2 and 3 pricing period, average of preceding October-

November Class 4a component prices per pound.

(C) The minimum bimonthly prices for components used for Class 3 shall be determined at the beginning of each even month, using the following formulas and procedures:

(1) For all milk fat, not less than the Average Class 4a fat price plus three and sevenths cents (\$0.037) per pound.

(2) For all milk solids-not-fat, not less than the Average Class 4a solids-not-fat price plus five and eighty-six hundredths cents (\$0.0586) per pound.

(3) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 3 prices shall be increased by the following amounts:

(a) For milk fat, seven and one-tenth mills (\$0.0071) per pound.

(b) For milk solids-not-fat, two and nine-tenths mills (\$0.0029) per pound.

(4) The time periods for the Average Class 4a fat price used in Subparagraph (C)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (C)(2) of this Section

shall be those in Subparagraph (B)(5) of this Section.

(D) The minimum prices to be paid for components used for Class 4a shall be computed as follows:

(1) For all milk fat, not less than the price per pound computed by the formula using the simple average of the Grade AA butter price quotations for the last significant trading

action for the sale, offer or bid of butter at the Chicago Mercantile Exchange or the Commodity Credit Corporation Dairy Support Program purchase price for Grade AA butter in effect, whichever is higher, less a freight adjustment of four and five-tenths cents (\$0.045), less a manufacturing cost allowance of ten and two-tenths cents (\$0.102), and the result multiplied by a yield factor of 1.2.

(2) For all milk solids-not-fat, not less than the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b.

California manufacturing plants for the period beginning the 26th day of the previous month and concluding the 25th day of the current month, as reported by the

California Department of Food and Agriculture for the month, or the Commodity Credit Corporation Dairy Support Program purchase price for nonfat dry milk powder in effect, whichever is higher, less a manufacturing cost allowance of sixteen and one-tenth cents (\$0.161), multiplied by a yield factor of ninety-nine hundredths (0.99).

(3) In the event that the Chicago Mercantile Exchange Grade AA butter price is not

available to calculate the current Class 4a fat price, pursuant to Subparagraph (D)(1),

then used in its place shall be the butter price used in the prior month's calculation of

the Class 4a fat price. All other Paragraphs that use the Class 4a fat price shall

operate as if the price had been established pursuant to Subparagraph (D)(1).

(4) In the event that the California weighted average nonfat dry milk price is not

available to calculate the current Class 4a solids-not-fat component price, pursuant to

Subparagraph (D)(2), then used in its place shall be the nonfat dry milk price used in

the prior month's calculation of the Class 4a solids-not-fat price. All other

Paragraphs that use the Class 4a solids-not-fat price shall operate as if the solids-notfat

price had been established pursuant to Subparagraph (D)(2).

(5) The butter prices used in calculations pursuant to this paragraph shall be those released by the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month or the Commodity Credit Corporation Dairy Support Program purchase price for Grade AA butter in effect, which ever is higher,.

(E) The minimum prices to be paid for components used for Class 4b shall be computed as follows:

(1) The Cheese hundredweight price shall be the price per hundredweight computed by the sum of the following:

(a) The price per hundredweight computed by using the simple average of the 40 pound block price quotations for the last significant transaction for Cheddar cheese at the Chicago Mercantile Exchange, or the Commodity Credit Corporation Dairy Support Program purchase price for for block cheddar cheese in effect, which ever is higher, less a marketing adjustment of one and two-tenths cent (\$0.012), less a Cheddar cheese manufacturing cost allowance of seventeen and six-tenths cents (\$0.176), all multiplied by a yield factor of ten (10).

(b) The price per hundredweight computed by the formula using the simple average of the Grade AA butter price quotations for the last significant trading action for the sale, offer or bid of butter at the Chicago Mercantile Exchange, or the Commodity Credit Corporation Dairy Support Program purchase price for Grade AA butter in effect, which ever is higher, less a manufacturing cost allowance of ten and two-tenths cents (\$0.102), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven-hundredths (0.27).

(2) For all milk fat, the price per pound computed pursuant to Subparagraph (D)(1) of this Section.

(3) For all milk solids-not-fat, the price per pound computed by the formula using the Cheese hundredweight price established pursuant to Subparagraph (E)(1) less the product of three and sixty-five hundredths (3.65) multiplied by the Class 4b fat price established pursuant to Subparagraph (E)(2), all divided by eight and seventy-eight hundredths (8.78).

(4) In the event the Chicago Mercantile Exchange 40 pound block Cheddar price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph

(E)(1), then used in its place shall be the cheese price used in the prior month's calculation of the Cheese hundredweight price.

(5) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Grade AA butter price used in the prior month's calculation of the Cheese hundredweight price.

(6) The butter and Cheddar cheese prices used in calculations pursuant to this Paragraph

shall be those released by the Chicago Mercantile Exchange between the period

beginning the 26th day of the previous month and concluding the 25th day of the

current month or the Commodity Credit Corporation Dairy Support Program purchase prices in effect, whichever is higher.

(F) The minimum prices to be paid pursuant to Paragraph (A) of this section shall be computed

by the Dairy Marketing Branch and furnished to handlers not less than ten days prior to the

effective date of each price change.

(G) The minimum prices to be paid pursuant to Paragraphs (B), (C), (D), and (E) of this section

will be computed by the Dairy Marketing Branch and furnished to handlers each month.

(H) The minimum price for components used for Class 1, as set forth in Paragraph (A) of this

Section, shall be modified only for the period April and May, 1997 and shall be:

(1) The fat component price shall be \$1.0004 per pound.

(2) The solids-not-fat component prices shall be \$0.9575 per pound

(3) The fluid carrier component price shall be \$0.0283 per pound.